

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7041

BILL NUMBER: HB 1162

DATE PREPARED: Dec 31, 2001

BILL AMENDED:

SUBJECT: Medicaid Payments to Nursing Homes.

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning to lower certain components of reimbursement rates to nursing homes that have an occupancy rate of less than 85% by the percentage that the nursing home's occupancy rate is under 85%.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill would reduce payments to nursing facilities participating in the Medicaid program. The bill would reduce three of the four cost components of the nursing facility rate formula by each percentage point the actual occupancy of the facility falls below 85%. (If the actual occupancy of a facility is 76%, the administrative, indirect care, and capital cost components would each be reduced by 9% before determining the facility rate.) Nursing facilities with occupancy of 85% or higher would be unaffected by the provisions of the bill.

Myers and Stauffer, LC, the long-term care rate-setting contractor for the Office of Medicaid Policy and Planning (OMPP) reported that there were approximately 511 nursing facility providers enrolled in the Medicaid program during FY 2000. 182 facilities, or 37%, reported occupancy of 85% or higher. 329, or 63% of the facilities, would be impacted by this bill. Median nursing facility occupancy for FY 2000 was approximately 80.4%; average occupancy was about 75%.

An estimate of Medicaid savings that would be realized as a result of the provisions of this bill is not currently available. This note will be updated when Myers and Stauffer has completed the analysis.

Explanation of State Revenues:

Explanation of Local Expenditures: Currently, there are six county-owned nursing facilities participating in the Medicaid program. Those county-owned facilities with occupancy rates below 85% would be impacted

by the provisions of this bill.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected: County-owned nursing facilities if occupancy is below 85%.

Information Sources: Myers and Stauffer LC, Nursing Facilities Bedhold Days Analysis submitted with a proposed rule revision regarding the reservation of nursing facility beds, November 1, 2001.